

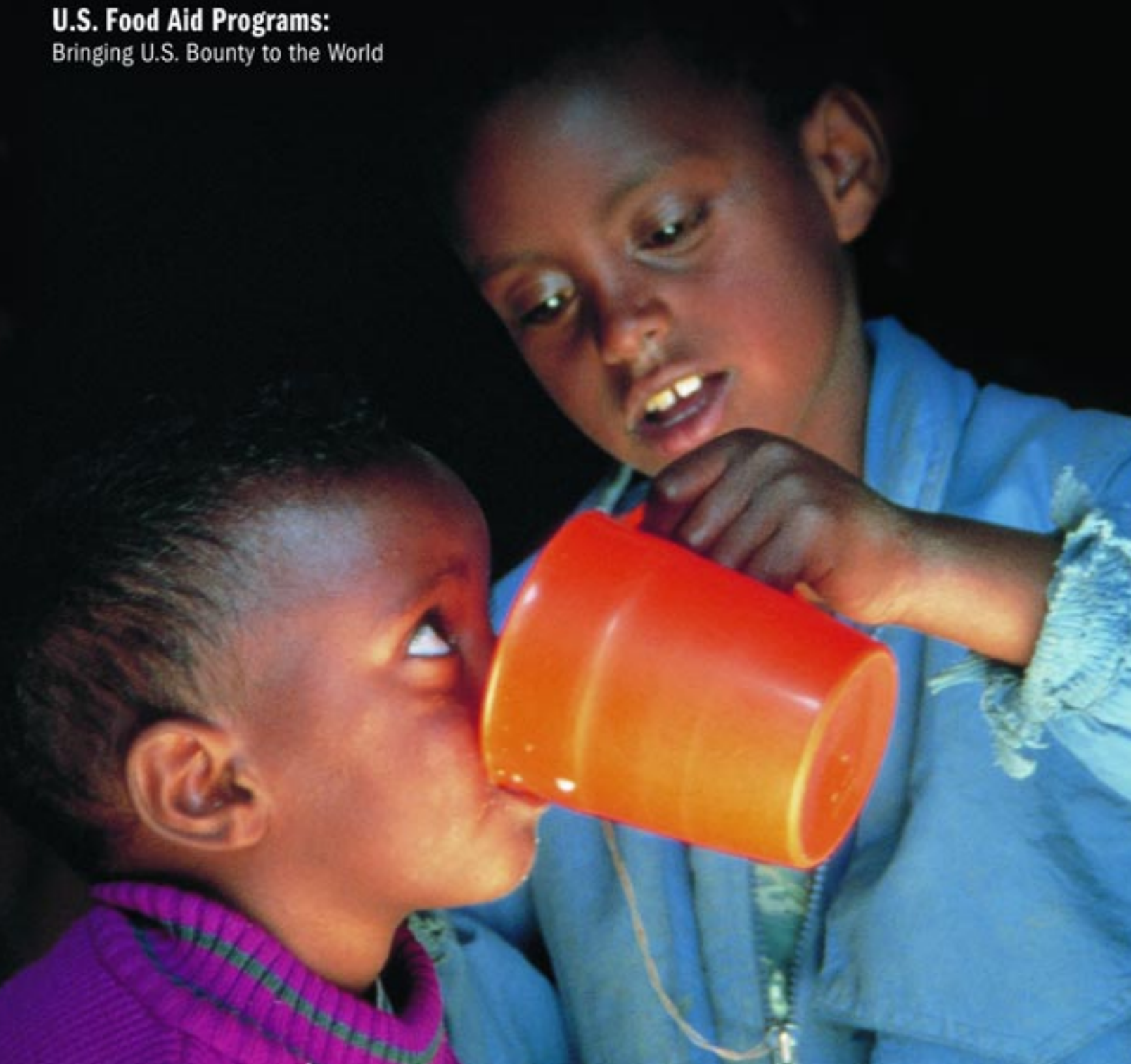
The Monthly Magazine for Food and Agricultural Exporters


AgExporter

United States Department of Agriculture
Foreign Agricultural Service

October 2004

U.S. Food Aid Programs:
Bringing U.S. Bounty to the World





TRADE SHOW OPPORTUNITY

INTERNATIONAL FOOD AND DRINK EXHIBITION

LONDON, ENGLAND

The Show:

IFE (the International Food and Drink Exhibition) is the United Kingdom's largest international food and drink exhibition. Organized by FreshRM (in conjunction with its U.S. partner, Reed Exhibition Companies), IFE typically attracts over 25,000 visitors from around the world.

Location:

ExCel, Royal Docks
London, England

Dates:

March 13-16, 2005

Deadline:

Feb. 1, 2005

The Market:

The United Kingdom is currently the ninth-largest export destination for U.S. agricultural products. Best product prospects include wines, beer, tree nuts, processed fruits and vegetables, fresh fruits, sauces and marinades, confectionery, health foods, snack foods, non-soy vegetable oil, organic products, soft drinks, bakery ingredients, seafood and frozen foods. With a common language, similar consumer preferences and trends, and a strong economy, the United Kingdom is a clear choice for U.S. companies looking to increase export sales.

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AgExporter

United States Department of Agriculture
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Fighting World Hunger: U.S. Food Aid Policy and the Food for Peace Program

By Ryan Swanson

The numbers are startling. More than 800 million people go to bed hungry each night, and nearly 50 million people currently face acute hunger as a result of war, civil strife or natural disaster. Additionally, the United Nations estimates that malnutrition is a significant factor in the deaths of 11,000 children each day.

Even in the 21st century, with its technological advances, the quest for food security remains a daunting challenge. There is some reason for optimism, however, as the United States and many other countries have put in place programs to fight hunger throughout the world and significant success has been achieved. But even with these victories, there is still much work yet to be done.

Although fertile soil and proficient farmers have consistently provided for the United States' domestic food needs, U.S. leaders have long recognized that the problem of food scarcity knows no national borders. On one hand, basic humanitarianism demands that hunger elsewhere cannot be simply ignored. But also, and perhaps more practically speaking, today's international economy determines that problems rarely stay confined to one particular country or region. The reverberations of food scarcity in one country make their impact felt in food markets around the world. The U.S. government designates millions of dollars and tons of food each year for food aid.

The United States has a long history of providing assistance to needy countries around the world. Following World War I, the American Relief Administration, led by entrepreneur and soon-to-be President Herbert Hoover, distributed more than 4 million tons of food and supplies to starving people in Europe, especially the Soviet

Union. The Berlin Airlift of 1948 came in response to Joseph Stalin's closure of all roads and railroads into Berlin in June 1948. For nearly one year, British and American forces responded by delivering by plane all food and other necessary materials to sustain the isolated city. The delivery of over 500,000 tons of food eventually broke Stalin's blockade.

Although food aid programs currently enjoy widespread political support, it took a war to open the eyes of many politicians regarding their importance. World War II pushed the United States to increase and formalize its food aid efforts. Throughout the years of fighting, Congress approved the donation of thousands of tons of food to European allies, especially the Soviet Union, to support both their armies and civilians. These food donations saved thousands of lives as famine spread throughout Europe. Following the war, U.S. involvement in food aid efforts continued to increase. The Marshall Plan, totaling nearly \$13 billion,



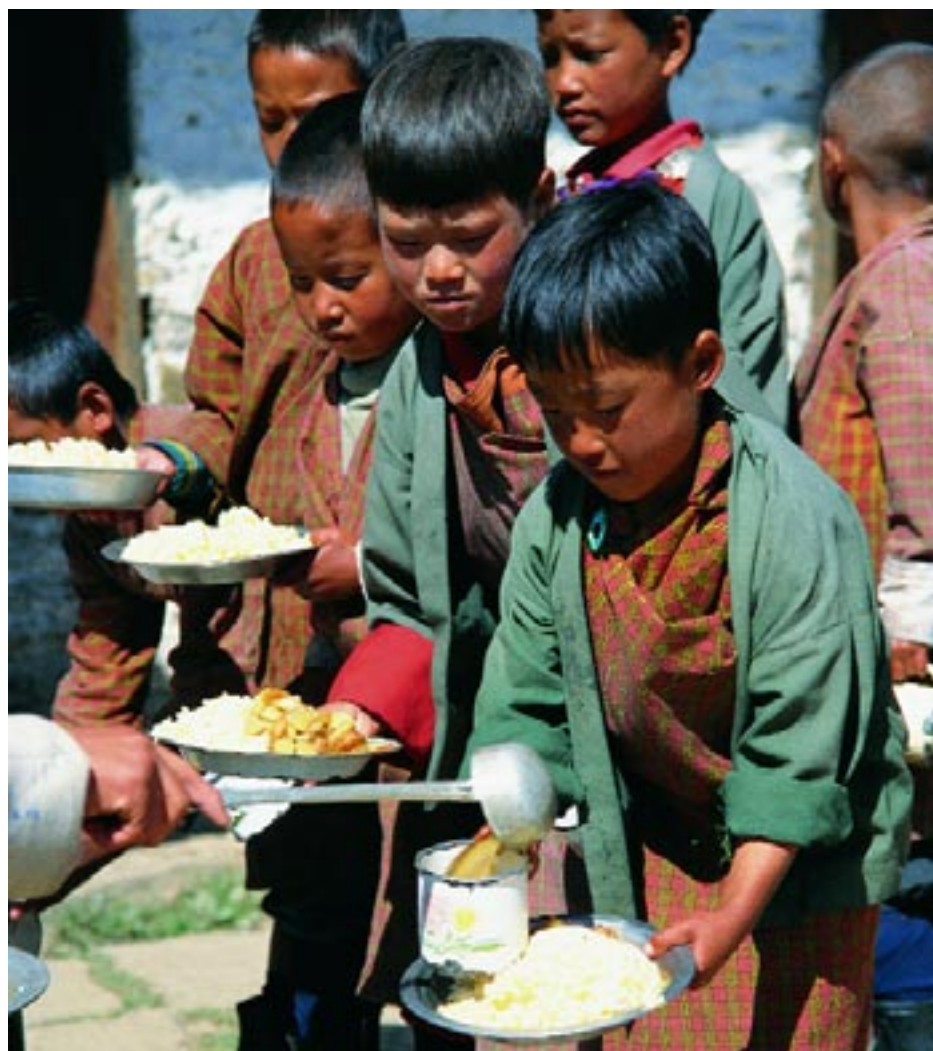
focused on feeding victims of the war and rebuilding the infrastructure and economy of Western Europe and Japan.

It was through this Plan, named for Secretary of State George C. Marshall, that U.S. government and military leaders first gained valuable experience in distributing food aid to destitute people. These leaders demonstrated to American politicians that a massive aid program could benefit both recipients and givers.

Chief among these rising leaders was a young army officer named Gwynn Garnett. Garnett served as the director of food and agriculture in the American zone of Germany and, on a daily basis, oversaw the procurement and distribution of extraordinary amounts of food to needy citizens. In this role, Garnett solidified an idea that changed U.S. food aid. Garnett proposed that the United States accept foreign currencies, many of which were virtually worthless outside their own borders after the war, in exchange for U.S. agricultural products. Although this approach seemed to suggest that the United States take a “loss” on its exports, Garnett focused on the larger ramifications.

The United States could use the local currency to rebuild the infrastructure and markets of war-ravaged areas that needed food. The United States could also fund the donation of food to the truly destitute. This investment would, in turn, facilitate the reopening of valuable markets for U.S. producers.

Leaders in both the Eisenhower Administration and Congress quickly embraced Garnett’s plan when he presented it upon returning from Germany to serve as an American Farm Bureau official. The plan proved to be popular on two levels. It provided a structure by



School children in Bhutan.

which the United States could meet the growing food needs of the world, and it helped put surplus U.S. agricultural production to good use.

The Foreign Agricultural Service and Food for Peace

The Agricultural Trade Development and Assistance Act of 1954 stamped Congress’ approval on Garnett’s plan. After the passage of P.L. (Public Law) 480 in July 1954, USDA received its marching

orders. The law provided the means to offer needy countries low-interest, long-term credit to purchase U.S. agricultural goods. The President delegated the concessional credit authority under that Act to the Secretary of Agriculture, who re-delegated that authority to FAS.

P.L. 480, which has six program titles, continues 50 years after its origin to be the backbone of the United States’ diverse food aid effort. Administered by FAS, Title I makes available long-term, low-interest

credit to needy countries so that they may purchase U.S. agricultural commodities. Title I allows the long-term debt acquired under P.L. 480 to be repaid in the currency of the borrowing country; however, since the early 1970s, P.L. 480 debt has been repaid in U.S. dollars.

For countries where even the most generous credit terms are too heavy an economic burden, U.S. efforts take a different approach. Title II of P.L. 480, administered by USAID (the U.S. Agency for International Development), allows for the outright donation of U.S. agricultural commodities to meet humanitarian needs around the world. Donations can be distributed through government agencies, private charities or international organizations such as the WFP (World Food Program).

Commodities are currently obtained

by purchase from private producers or from stocks held by USDA's CCC (Commodity Credit Corporation). In addition, the Title II program pays the transport, storage and distribution costs associated with the donations.

Title III of P.L. 480, the Food for Development program, is currently inactive. Also administered by USAID, it provides government-to-government assistance grants to least-developed countries to support development.

Drawing on a Heritage of Aiding the Needy

P.L. 480 built upon the Agricultural Act of 1949, which allowed excess commodities held by the CCC to be distributed outside the United States when the need arose. In 1951 alone, Congress acted to help Yugoslavia and India through times of famine. The Yugoslav Emergency Relief Assistance Act in 1951 had particular significance because it sent an important message of support to Yugoslavia as it broke ties with the Soviet Union.

As is the case with most legislation, the true impact of P.L. 480 became evident as details became codified and action commenced. Initially, politicians argued over how exactly the program would function. Senator Hubert Humphrey, in particular, championed the idea that P.L. 480 must emphasize the donation of food to needy countries, and that such efforts must not exist only as a side-note to surplus commodity disposal. In his 1958 Congressional report entitled "Food and Fiber as a Force for Freedom," Humphrey took issue with farmers who he felt were interested only in surplus reallocation for the benefit of American agriculturalists.

Eventually, President Dwight D. Eisenhower pursued a middle road that

took into consideration both the plight of American farmers and the vast potential of food diplomacy. The President supported Humphrey's call for P.L. 480 to be known as the "Food for Peace program," and in 1960 established both the position of Food for Peace Coordinator and the Office of Food for Peace.

U.S. food aid policy evolved continuously as new needs arose, new challenges cropped up, and different presidential administrations placed their stamp on aid efforts. In 1961, President John F. Kennedy established USAID. The new Agency partnered with FAS in the disbursement of food aid throughout the world, and it continues to administer Title II distributions. In 1962, in response to appeals that had been made by both Eisenhower and Kennedy, the United Nations established its WFP. At the suggestion of Senator George McGovern, who was then the White House Director of the U.S. Food for Peace program, the WFP began initially on a three-year trial basis before rapidly assuming a permanent, leading role in the fight to reduce hunger.

The Food Aid Convention of 1967 brought the question of how to confront world hunger to the forefront of international relations. For the first time, the United States and 11 other developed countries gathered to discuss their mutual commitments to food aid. The participating government leaders reached a formal agreement that set minimum levels of food support for needy countries each year, regardless of surpluses or commodity prices that might be in effect. The United States assumed by far the largest responsibility, originally providing over 75 percent of the commodities donated, but a precedent of international cooperation was established.





School girls in Pakistan.

Ever-Increasing Challenges

As support for food aid policies has expanded, logistical challenges have increased as well. Early FAS and USAID administrators faced the challenge of deciding which countries should be served; how excess commodities should be obtained; and which commodities were most suitable nutritionally. Other questions, such as how the cost of trans-

port should be met and how aid should be distributed without altering the world trade balance, also presented significant challenges.

Food aid policy must be carefully constructed in order to preserve the normal flow of trade and to limit any price impact on agricultural commodities. FAS officials closely observe usual marketing requirements, mandating that countries

receiving aid continue to trade even as they receive outside assistance. FAS prohibits the resale of P.L. 480 Title I commodities to third countries. P.L. 480 Title I requires that all purchases go through a rigorous bidding system. The recipient governments make the purchases. FSA (the Farm Service Agency) of USDA purchases commodities for Title II using an open competitive process. Additionally, P.L. 480 protects the ability of small businesses to participate by disallowing minimum order levels under Title II. These rules exist to create competition and integrity on the supply side in order that food aid needs can be met as efficiently and prudently as possible.

New challenges arise each year. Recently, U.S. efforts to assist countries in need of food have been plagued by controversy over the use of biotechnology. FAS and USAID officials have taken on the role of educator as they explain why and how this technology is used. Adding to the changes, the scope of food aid has continued to evolve. The new goal of food security encompasses more than just donations in times of crisis. Rather, "food security" focuses on the access by all people at all times to sufficient food for active, healthy lives.

Adaptation and Flexibility—the Keys to Continued Success

Because of the constantly changing landscape of food needs around the world, U.S. food aid policy has come to be characterized by continual evolution of many different programs. While P.L. 480 still functions quite effectively, the U.S. government has added new programs to address previously unforeseen situations. In the 1980s, food aid officials recognized that in order for the United States to have

the freedom to address pressing international needs as they arise, an adequate reserve was needed. A commodity reserve, originally authorized by the Agricultural Trade Act of 1980 and now known as the Bill Emerson Humanitarian Trust, serves that purpose by allowing the United States to store up to 4 million metric tons of wheat, corn, sorghum and rice, to be used in case of a food emergency or to otherwise meet P.L. 480 program needs in a tight supply situation. The Secretary of Agriculture has authority to release up to 500,000 tons of grain each year for emergency assistance.

Numerous times throughout the 1980s and 1990s, presidents have released grain from the Trust in response to difficult circumstances. In 1984, President Ronald Reagan authorized the release of 300,000 tons of grain to help fight widespread famine in Africa. Presidents George H.W. Bush and Bill Clinton designated the release of grain to aid the Middle East and the Caucasus regions. In 2002, officials released 275,000 tons of grain to again aid starving people in Southern Africa. The drought in that region created a situation of unexpected severity, the type of unpredictable calamity that the Emerson Trust was intended to hedge against. The fund currently has a balance of over 2 million tons.

In the 1980s, another significant new food aid program emerged, this one with a more concerted diplomatic focus. The Food for Progress initiative, first authorized in 1985, made very explicit the connection between the donation of food and the recipient country's philosophy of government. Commodities came from CCC stocks or purchases from the market and may be furnished in the form of either financing or donations.

But most significantly, Food for Progress did just what its title suggested—it linked food and progress. Only countries that were emerging democracies or that made a significant commitment to free enterprise in their agricultural economies could receive aid under this provision.

Food for Progress donations have been made to countries all over the world. In 1999, for example, after Hurricane Mitch nearly crippled Honduras and Nicaragua, FAS, through the Food for Progress program, made direct food donations valued in excess of \$13.5 million. The donations eased the hunger caused by the hurricane and helped with the rebuilding of the agricultural infrastructure in those countries.

Like the Food for Progress initiative, the most recent addition to the United States' array of food aid programs seeks to improve the societal conditions of the receiving country. In July 2000, President Bill Clinton committed the United States to providing resources worth \$300 million to help establish school nutrition programs in needy countries. Strongly backing this move were two long-time proponents of food aid and increased school nutrition programs, Senators George McGovern and Robert Dole. In 2001, the pilot Global Food for Education Initiative began distributing commodities via the WFP as well as through many private voluntary organizations.

In the course of a two-year trial, the program provided nutritional meals for nearly 7 million children in 38 countries. The goal was not only to abate hunger, but also to increase the number of children who attend school. It is estimated that 120 million school-age children currently do not attend school because of

lack of food and proper nutrition. Many are forced to work in the fields to maintain even a subsistence lifestyle.

This new initiative gained permanent status under the 2002 Farm Security and Rural Investment Act. As a result of the legislation, the McGovern-Dole International Food for Education and Child Nutrition Program was launched in 2003 to provide school meals, teacher training and technological support to foreign countries. The program will take different forms in different countries. In Eritrea, for example, plans call for a joint program to be conducted through Africare and Mercy Corps International to provide 65,000 students with high-protein biscuits and milk throughout the school year. In Guatemala, Catholic Relief Services and World Share will take profits made from selling U.S. goods and use them to purchase locally grown food in order to supplement students' diets. In addition to the program flexibility that allows different organizations to distribute aid, the McGovern-Dole program also pays transport and shipping costs.

Undoubtedly, new challenges will arise in the coming years. Changes in technology, the environment and the economy will cause food aid policymakers to seek new ways to help feed the hungry around the world. But the legacy of U.S. efforts such as Food for Peace and Food for Progress will provide a strong foundation to continue to work toward food security for the world's most vulnerable citizens. n

*This report was prepared by the Federal Research Division, Library of Congress, under an interagency agreement with FAS.
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Retail Sector Shepherds Tunisian Food Industry

By Abdelkrim Sma

Most U.S. agricultural exporters think of Tunisia as a market for bulk and intermediate commodities like corn, wheat, vegetable oil, soybean meal and planting seeds. However, opportunities also exist for consumer-oriented agricultural exports as disposable income increases and Western-style consumption habits grow.

The robustness of the Tunisian economy influences how much food the country imports each year. In calendar 2003,

with lingering effects of the 2002 economic downturn, Tunisia imported about \$1 billion worth of agricultural products. Some \$74 million worth came from the United States. The year before, U.S. exports had amounted to \$115 million, with record highs for coarse grains and soybean meal.

Though the EU (European Union) provides stiff competition and has the advantages of proximity and preferential access, there is room for growth of U.S. product sales.

Economy Hinges on Tourism, Agriculture, Exports to EU

Often considered a model for other African and Middle Eastern countries, Tunisia's diversified economy is based on



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sound market-driven economic reforms launched in the late 1980s.

Despite an overall growth rate averaging 5 percent, however, the economy is still fragile. In 2002, the GDP (gross domestic product) advanced only 1.7 percent after three situations hurt the economy: the country experienced drought for



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a third year, tourism slowed due to the unsettled international situation and weakening demand in the EU led to a falloff in exports.

About 20 percent of the Tunisian workforce is engaged in agriculture, which contributes nearly 11 percent of the GDP and 10 percent of overall exports. In 2003, Tunisia exported nearly \$600 million worth of agricultural products, mainly citrus, olive oil, dates and seafood.

Most Tunisian farmers grow wheat and barley and face highly variable production due to intermittent droughts. Irrigated horticulture is well developed, but production must be supplemented at times with imports.

In 2003, the economy recovered noticeably due to a good agricultural season; growth is expected to reach 6 percent in 2004.

Tunisia Highly Urbanized

Two-thirds of Tunisia's population of 10 million is urban and nearly 20 percent lives in the Tunis metropolitan area. The population enjoys a relatively good social support system, with ready access to education and health services.

Women enjoy equal status with men and make up a sizeable part of the work



In Calendar 2002, These U.S. Consumer-Oriented Exports Accounted for a 10-Percent Market Share in Tunisia

| Product by Rank | All Imports (\$) | Imports of U.S. Products (\$) | U.S. Market Share (%) |
|---|-------------------|-------------------------------|-----------------------|
| Seafood | 16,489,109 | 38,869 | 0.2 |
| Tree nuts | 3,362,831 | 905,651 | 26.9 |
| Dried fruits | 2,718,569 | 417,636 | 15.4 |
| Cocoa powder | 2,600,352 | 82,283 | 3.2 |
| Others | 2,327,321 | 1,095,705 | 47.1 |
| Biscuits | 1,802,852 | 482,774 | 26.8 |
| Sauces, condiments and mixed seasonings | 789,192 | 25,189 | 3.2 |
| Potato chips | 380,852 | 29,873 | 7.8 |
| Breakfast cereals | 377,146 | 26,157 | 6.9 |
| Total | 30,848,224 | 3,104,137 | 10.0 |

force. Tunisia's middle class represents 80 percent of the entire population, and per capita income, at \$2,100, provides the highest purchasing power in North Africa.

Households number 2.1 million, each spending about \$2,400 on food per year. Average household size is five persons. Urban households spend nearly 65 percent more than rural households. Food spending, growing about 6.6 percent annually, accounts for 40 percent of overall household spending.

Do You Parlez-Vous?

The country's official language is Arabic, but French is the second language and often used in business. Since a personal touch counts, exporters need to engage directly with customers or with a local agent who can facilitate trade and serve as interpreter, if necessary.

Though business people appreciate U.S. goods as being of high quality, price is still the overriding factor in food purchases.

Bureaucratic hurdles impede the trade of some bulk and intermediate commodi-

ties, but Tunisia is committed to making progress with market liberalization.

Commercial advertising is well-developed in Tunisia with television and newspapers the preferred vehicles. Posters, tombolas (prize drawings) and events are common promotional tools, while brands and trademarks seen via satellite TV and foreign newspapers appeal to higher income consumers.

Gaining Entrée

Language on labels should be Arabic and measurements must be metric. Food packaging materials must meet Tunisian standards and bear an international logo depicting that the material meets food grade standards.

Food standards are similar to those in developed countries, as Tunisian sanitary and phytosanitary requirements are mostly consistent with Codex Alimentarius.

Importers can help suppliers navigate through customs. Besides phytosanitary and sanitary certificates based on Codex, most consumer-oriented food products are subject to technical quality control sampling prior to customs clearance.

The AMC (*Autorisation de Mise à la Consommation*) document issued by customs confirms quality and must be secured before goods are distributed or further processed. Application for this document must be accompanied with:

- Import certificate and commercial invoice
- Certificate of origin
- Packing list
- Bill of lading
- Technical notice explaining processing technique, if product is new to market
- Other documents specified by customs

The Central Bank of Tunisia strictly supervises the country's banking system. While short-term commercial credit is usually available, medium- to long-term credit may not be. U.S. exporters can use USDA's Export Credit Guarantee Programs to secure credit in this market.

Supermarkets Spearheading Industry Growth

In 2000, Tunisians spent nearly \$5 billion on food, mainly to purchase staples like bread, couscous and other types of pasta, semolina, cooking oil, seafood and dairy products. Items once considered luxury goods, such as salty and sweet snacks, fruit juices and fresh fruits, are increasingly popular.

Fragmented distribution systems that worked for traditional small neighborhood shops carrying limited inventory are being replaced by the modern organized systems required by the supermarket format.

These major retailers are posting double-digit revenue growth. French-owned supermarkets are present, along with some Tunisian retailers. More foreign retailers are expected to enter the market during



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the next decade and capture up to 30 percent of the market.

For distribution purposes, Tunisia's HRI (hotel, restaurant and institutional) market is not recognized as a separate sector from retail—most hotels and restaurants purchase foods through annual tenders or use the same distribution channels as households.

The HRI market should not be overlooked by exporters, however. It caters to more than 6 million tourists annually, in addition to domestic diners. And high-end hotels import some products directly, particularly spirits, wines and specialty cheeses.

The food processing sector demand for consumer-oriented ingredients is steadily increasing. Aside from domestic products, the Tunisian processing sector relies mainly on EU-origin ingredients. However, some U.S.-origin ingredients such as cocoa powder for the confectionery industry and dried fruits and tree nuts for the baking industry are imported.

Select Right Importer

The best entry strategy for new-to-market exporters is to identify and check the credentials of a suitable importer experienced in handling targeted products. Retailers can also be contacted as some have direct importing experience.

Business etiquette is similar to that of Western countries. **n**

The author is an agricultural specialist with the Office of Agricultural Affairs at the U.S. Embassy in Tunis, Tunisia. This office will assist in matching U.S. exporters with potential business partners or conducting inquiries. Tel.: (011-216-71) 107-349; Fax: (011-216-71) 107-101; E-mail: usemb.tunisag@planet.tn

For details, see FAS Report TS4001. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.



Move Now To Regain Competitive Edge in Chile's Pet Food Market

U.S. pet foods, already considered the best, have gotten more competitive since the U.S.-Chile FTA (Free Trade Agreement) dropped tariffs from 6 percent to zero in January 2004. These products now receive equal treatment with those of other suppliers.

Almost 80 percent of dog and cat foods consumed in Chile are imported from Argentina. Brazilian and U.S. imports make up most of the rest.

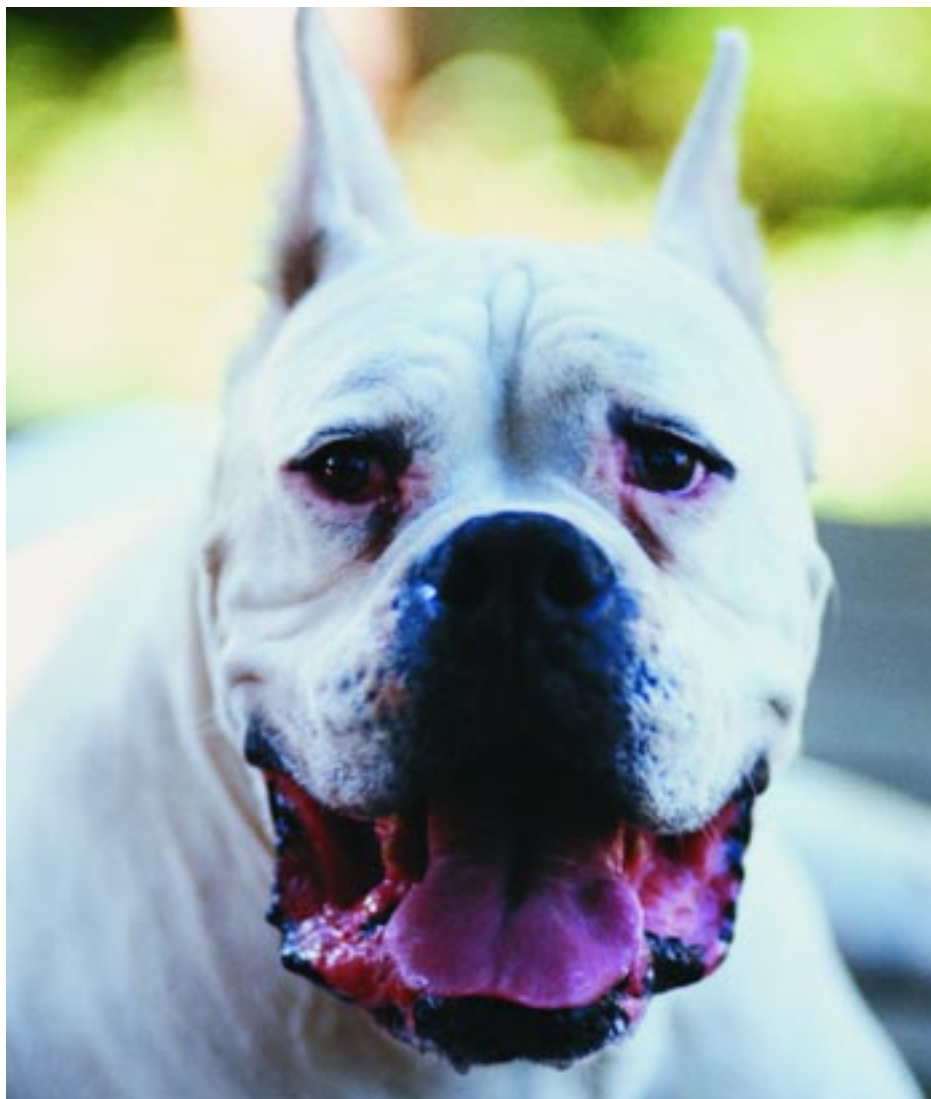
International plants in Argentina, many financed by U.S. investors, have displaced U.S. imports in Chile, and have been upping their competitiveness with improved product quality and packaging.

In calendar 2003, Chilean pet owners bought \$150 million worth of pet foods, of which \$31.7 million, or 56,000 metric tons, was imported. U.S. suppliers sold only \$2.6 million worth to this market in 2003.

About half of Chilean households own pets, with an estimated 2.5-3 million dogs and 1.5 million cats. Two-thirds of the households in Santiago, where 40 percent of Chile's population resides, own pets. Only 30 percent of the households throughout Chile buy pet foods; most serve up a mix of purchased and home-cooked foods.

Dogs have gained the most from increased pet food sales, consuming three-quarters of the pet foods sold. Over 95 percent of purchased foods are dry.

Optimists predict that dog and cat food sales could triple with stronger acceptance of processed, balanced pet foods, instead of home-prepared foods.



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Right Niche Important

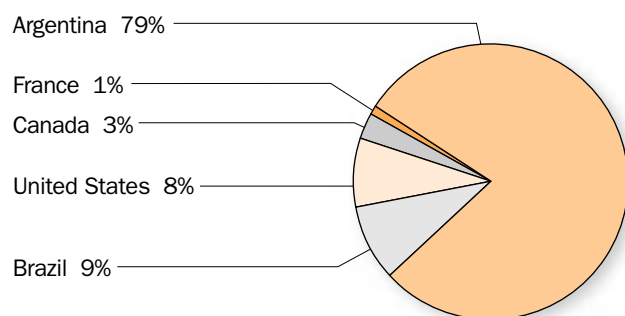
In 2002, international companies Nestlé and Masterfoods Chile (a subsidiary of Mars, Incorporated) imported 80 percent of all pet foods into Chile (mostly from their companies in Argentina) and, with a 60-percent share of the total market, provided the most competition.

They sell their products through their own distributors to pet stores, veterinary

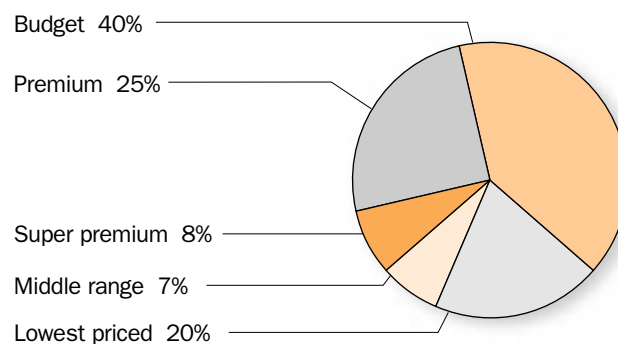
clinics, convenience stores and gasoline stations. Generally, supermarkets purchase directly from the companies.

Local products supply around 30 percent of total sales. Two main manufacturers, Champion S.A. and Nutripro S.A., split a 30-percent market share of local production. They usually sell about one-third of their products directly to supermarkets, 60 percent to distributors and the remainder to pet stores.

In Calendar 2003, Argentina Provided Most of Chile's \$31.7 Million in Pet Food Imports



Budget Pet Foods Headline Sales in the Chilean Marketplace



While U.S. products cannot compete with standard pet foods in this market, there are unsatisfied niches:

- Super premium brands
- Products that fit between super premium and premium pet foods, priced from \$30 to \$50 per 15-kg bag (1 kilogram=2.2046 pounds)
- Special diet supplements

Navigating the Market

U.S. exporters should be aware that there are strict sanitary requirements that must be met in the Chilean market. Sometimes these may limit the type of pet

foods that can enter the country.

Market entry requires a dedicated supplier and a distributor willing to develop strong market entry and pricing strategies and to provide good support. Successful long-term business partnerships depend on good personal relationships. Visiting Chile and meeting with business representatives is important.

Supermarket sales of premium and economy brands have shown the most growth. Super premium products are sold only in pet stores and veterinary clinics. Bulk, generic brand pet foods are sold mostly at public fairs and lower end stores.

Trends and Opportunities

Because of the strong competition, pet food companies are targeting specific niche markets such as those for mature and overweight animals. The new generation of pet owners is more likely to buy these and other specialty products.

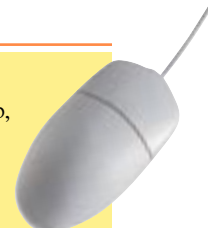
Overall markups for imported pet foods range from 150 percent for budget brands to 200 percent for premium brands, up to 250-300 percent for super premium brands. Suppliers will find that money spent on advertising, mostly via TV and veterinary clinics, brings the greatest dividends. **n**

Weighing the Pluses and Minuses in Chile's Pet Food Market

| Advantages | Challenges |
|---|---|
| U.S. technology is better, and companies more experienced. | Most U.S. products are comparatively more expensive. |
| "Made in U.S.A." makes positive impact as ingredients are considered of higher quality. New FTA reduces tariff to zero. | Argentine and Brazilian plants are following global standards, increasing product quality. |
| U.S. product packaging and labeling are seen as superior. | Labor, input and transportation costs in Chile and Argentina are cheaper. |
| U.S. companies have experience and resources for strong market penetration strategies. | South American factory standards are catching up. |
| | Reliable distributors capable of brand development strategy, advertising and distribution support are hard to find. |

For more information on this market, contact the FAS Office of Agricultural Affairs at the U.S. Embassy, Santiago, Chile. Tel.: (011-56-2) 330-3704; Fax: (011-56-2) 330-3203; E-mail: fas_stgo@rdc.cl

For details, see FAS Report CI4017. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.



A Team Effort Boosts U.S. Beef Demand in the Philippines

On Jan. 12, 2004, the Philippine Department of Agriculture announced that it would permit restricted access for U.S. beef, allowing imports from animals aged 30 months or less. The decision resolved an uncertain regulatory status for U.S. beef in the wake of detection of BSE (bovine spongiform encephalopathy) in the state of Washington in December 2003, and reconfirmed the Philippine government's confidence in the U.S. meat safety system.

Consumer Worries Present Marketing Challenge

But while the action permitted continued market access, Philippine buyers were initially reluctant to place new orders for U.S. beef due to possible consumer resistance. To counter this, the FAS ATO (Agricultural Trade Office) in Manila joined with USDA's APHIS (Animal and Plant Health Inspection Service) and USMEF (the U.S. Meat Export Federation, a long-time participant in the FAS' Foreign Market Development Program) to address consumer safety concerns and promote popular, inexpensive beef cuts.

The Philippines is a comparatively

small but growing market for U.S. beef. In calendar 2003, sales jumped by one-third to more than \$5 million, the best performance since 1997. Sales of thin meat cuts and other relatively inexpensive cuts to restaurants accounted for nearly all the U.S. beef sales growth in 2003.

BSE has been an occasional food safety concern in the Philippines since the late 1990s, particularly among upper income consumers, a key market segment for U.S. beef. The Philippine government banned beef imports from the United Kingdom, Japan and Canada after BSE was found in those countries. In the wake of BSE detection in the United States, several buyers said they would replace



CONTINUED STRONG DEMAND FOR VALUE-PRICED CUTS FUELS SALES.

U.S. beef with supplies from other countries, due largely to reservations expressed by consumers.

APHIS Experts Brief Philippine Industry and Major Media on U.S. Beef Safety

To address concerns about U.S. beef safety, APHIS sent a team of veterinarians to Manila in January to meet with industry and media representatives. The team discussed U.S. government actions in response to the Washington state BSE finding and U.S. measures to ensure beef safety. FAS staff in Manila addressed trade and marketing issues.

A briefing for Philippine food industry officials was well attended by major importers and end users. Importers were also briefed on the Philippine Department of Agriculture's new requirements and procedures for beef imports. A briefing for the Philippine press generated widespread positive coverage highlighting U.S. beef safety in both print and broadcast media.

The APHIS team's background information and answers to participants' questions helped restore confidence about U.S. beef safety. The favorable press coverage following the event created a positive environment for new promotions to continue building food service demand for U.S. beef.

Cooking Demonstration Targets Price-Conscious Food Service Sector

Shortly after the APHIS visit, ATO Manila teamed up with USMEF to offer a cooking demonstration of U.S. short plate and hanging tender, two value-priced cuts with particularly good sales potential in the Philippines.

Jay Gamboa, executive chef at Cirkulo Restaurant, an upscale eatery in metro-



FAS Agricultural Trade Officer Michael Woolsey (left) and U.S. Meat Export Federation Regional Director Eric Choon (right) kick off cooking demonstration in Manila, attended by over 50 food service decisionmakers.

Celebrity Chef Jay Gamboa displays creative recipes using U.S. short plate and hanging tender.



politan Manila, demonstrated creative beef recipes using the two cuts. A graduate of the Culinary Institute of America, Gamboa says many of his ideas are a result of participating in the USMEF chef training program.

At a cost to restaurateurs of roughly \$1.40 per pound, short plate is considered an excellent value among price-conscious Philippine food service decisionmakers. The cut is especially popular in beef slice-and-rice type dishes served in the fast-growing, quick-serve restaurant sector. Major customers include quick-serve restaurant chains such as Teriyaki Boy, Tokyo Tokyo and Yoshinoya Beef Bowl.

The cooking demonstration was attended by more than 50 chefs and

restaurant managers and generated new business for a top importer of U.S. short plate. ATO Manila and USMEF arranged a food service promotion in February pairing U.S. chilled beef and Beringer wines from California. USMEF is also stepping up its chef training program for the Philippines, and exhibited at the World's Finest Foods trade show in April. **n**

The article is based on a report by FAS' Agricultural Trade Office in Manila, the Philippines. For more information, contact that office at: Tèl.: (011-63-2) 894-5381; Fax: (011-63-2) 812-5430; E-mail: agmanila@usda.gov



TRADE SHOW OPPORTUNITY



FOOD & HOTEL VIETNAM 2004

HO CHI MINH CITY, VIETNAM

The Show:

Modeled along the proven track record of Food & Hotel Asia, the new Food & Hotel Vietnam trade show has the essential ingredients of a successful trade show, with exhibits on fresh and processed foods; wines and spirits; bakery ingredients and equipment; food service and hotel equipment, furnishings and supplies; and hospitality technology and systems.

The Market:

- 
- Vietnam has a dynamic, well-educated population of 80 million consumers and has a stable annual gross domestic product growth rate (about 6.8 percent for 2001, 7 percent for 2002 and 7.2 percent for 2003).
 - Its retail sector sales show tremendous growth (about 8 percent for 2001, 12.5 percent for 2002 and 11.5 percent for 2003).
 - Vietnam is both an opportunity and a challenge for exporters.
 - At times, the maze of conflicting regulations is a formidable barrier to trade, but Vietnam is evolving.
 - It is becoming more integrated with its fellow members of ASEAN, the Association of Southeast Asian Nations.
 - It is implementing a wide range of market-opening provisions under the Vietnam-U.S. Bilateral Trade Agreement.
 - Vietnam is reducing tariffs to enter the ASEAN Free Trade Area.
 - Vietnam aspires to join the World Trade Organization in the next two years.
 - Consumption of imported consumer-ready food products is increasing. Vietnam imported more than \$253 million worth of consumer-ready food products in 2003, up significantly from \$239 million in 2002. Vietnam's total food, fish and forest imports were \$1.2 billion in 2001, \$1.78 billion in 2002 and \$2.2 billion in 2003.
- 

Dates:

Dec. 2-4, 2004

Best Prospects:

Snack foods, fresh deciduous and citrus fruits, canned fruits and vegetables, canned meat products, tree nuts, beer, wines, chilled and frozen meats and frozen poultry

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Canada's Solid Demand for U.S. Wood Products

By William Bomersheim

The United States exported more than \$1.79 billion of solid wood products to Canada in 2003 and is on pace to export a record \$1.96 billion in 2004. U.S. solid wood exports to Canada grew 6.5 percent in 2003, and were up another 10.1 percent through June 2004. U.S. exports of hardwood lumber, hardwood veneer, hardwood logs, builder's carpentry and softwood logs each set new record highs in 2003. A strong economy underpinned by a housing boom and robust consumer demand has propelled Canadian demand for solid wood ever higher.

Market Fundamentals Are Solid

Strong economic fundamentals, especially an expanding GDP (gross domestic product) combined with low unemployment, inflation and interest rates, have created the conditions for increased solid wood demand. Real Canadian GDP expanded 2.4 percent in the first quarter of 2004, following an increase of 3.3 percent in the fourth quarter of 2003, while real personal disposable income has risen for several consecutive quarters. Real personal disposable income grew 4.3 percent in the first quarter of 2004, and real personal disposable income per capita set a new record, nearly 14 percent above the 1996 level.

The Canadian economy created over 110,000 net new jobs in the first six months of 2004, and from August 2003, when the recent upward trend began, through June 2004, has added 342,000

new full-time jobs. Consequently, unemployment through most of 2004 has been less than 7.4 percent.

Inflation, recorded in June at only 2.5 percent, has remained under control. This enabled the Bank of Canada to lower the overnight rate target to 2.0 percent in April 2004, driving the prime interest rate to just 3.75 percent.

Record Housing and Renovation Activity

Attractive mortgage rates coupled with strong consumer confidence and employment have helped support a building boom. Housing starts in 2003 reached their highest level since 1998. Total housing starts for 2003 are estimated at 217,800, 6.2 percent above 2002, while another 120,000 permits were added in the first half of 2004.

In 2003, the total value of building permits set a new record for the eighth consecutive year, as municipalities issued \$38.24 billion in residential and non-residential permits. With only half of 2004 accounted for, municipalities are set to

shatter this record, having already issued another \$20.5 billion in building permits through June, up 9.4 percent from the pace set in 2003.

In addition, housing renovation, a vital part of the housing industry, has been on an upward trend since 1996. According to the Canada Mortgage and Housing Corporation's 2003 housing outlook report, renovation spending was expected to have increased from \$22.4 billion in 2002 to a new record of over \$24.1 billion in 2003. A further increase in renovation activity was forecast for 2004. Renovations, including room additions, new kitchen cabinets and other remodeling, increase demand for U.S. wood products, especially hardwoods.

Strong Furniture Sector

Canada's healthy furniture sector has also driven demand for U.S. solid wood products. Canadians, confident about their jobs, have generally increased spending on durable goods. The housing market has remained buoyant, and Canadian furni-



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ture spending has led all other retail sectors in sales growth in every year since 1998. Canadian furniture purchases rose 11.6 percent from the previous year in 2002, and another 6.5 percent in 2003.

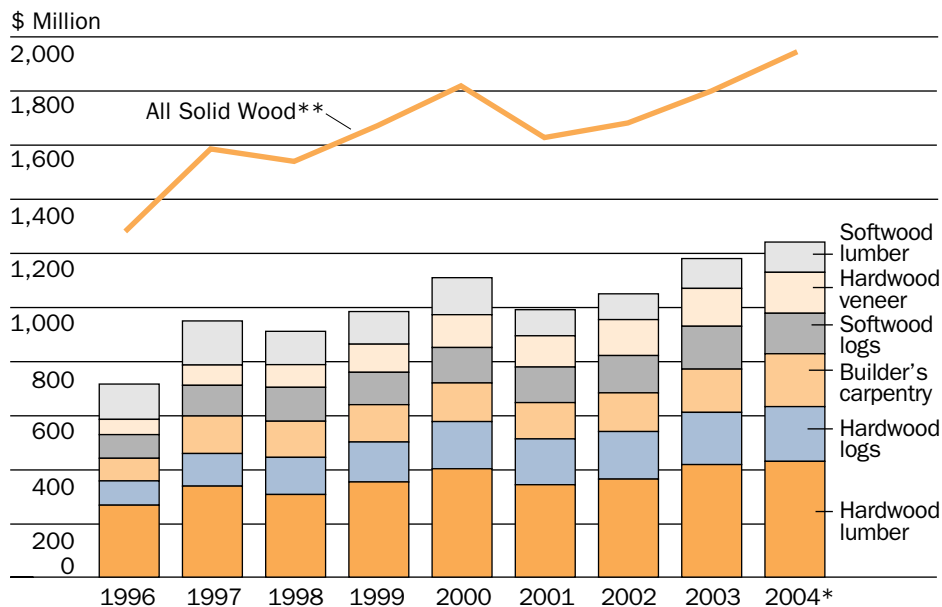
Additionally, Canadian furniture manufacturers have been able to double their exports since 1995. Canada is the world's third-largest furniture exporter, following China and the United States. Slightly more than one-half of all Canadian furniture production is exported.

Short-Term Outlook Positive

The outlook for U.S. wood product exports to Canada for 2004 as a whole is favorable. In June, the Canadian composite index of leading indicators posted its 13th consecutive monthly increase, as nine out of 10 components continued to rise, and the red-hot housing sector drove continued outlays for furniture and appliances.

Although an increase in mortgage rates could slow the housing market somewhat, most economists are forecasting continued strength in the housing

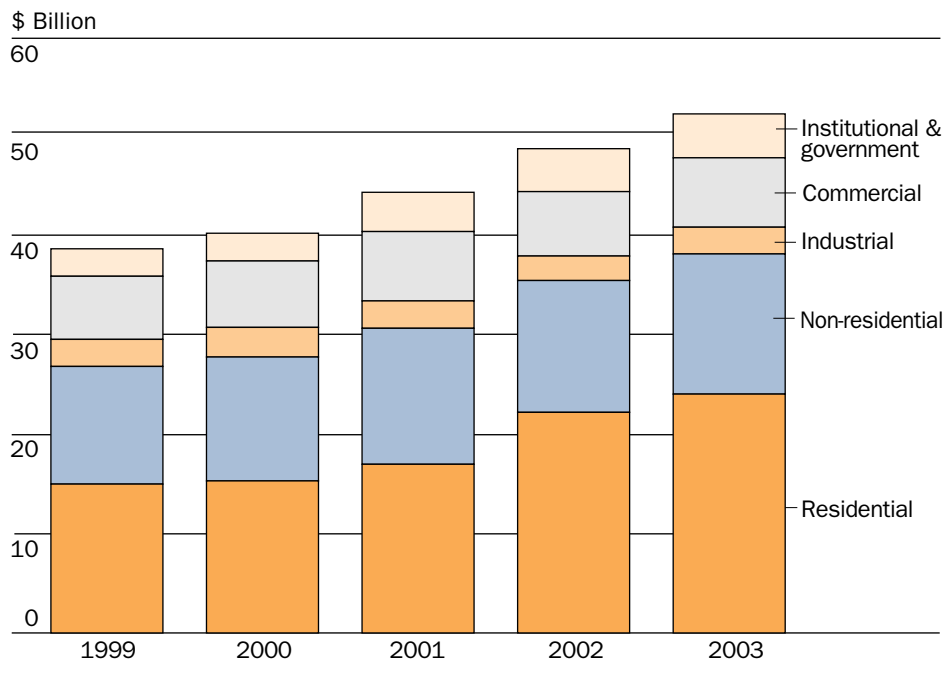
U.S. Solid Wood Exports to Canada Have Grown Steadily



*Projection, based on January-June data.

**Includes products not listed in columns.

Since 1999, the Value of Canadian Building Permits Has Increased Across Major Categories



U.S. SOLID WOOD EXPORTS TO CANADA GREW 6.5% IN 2003, AND WERE UP ANOTHER 10.1% FOR THE FIRST SIX MONTHS OF 2004.

Canada's Leading Indicators

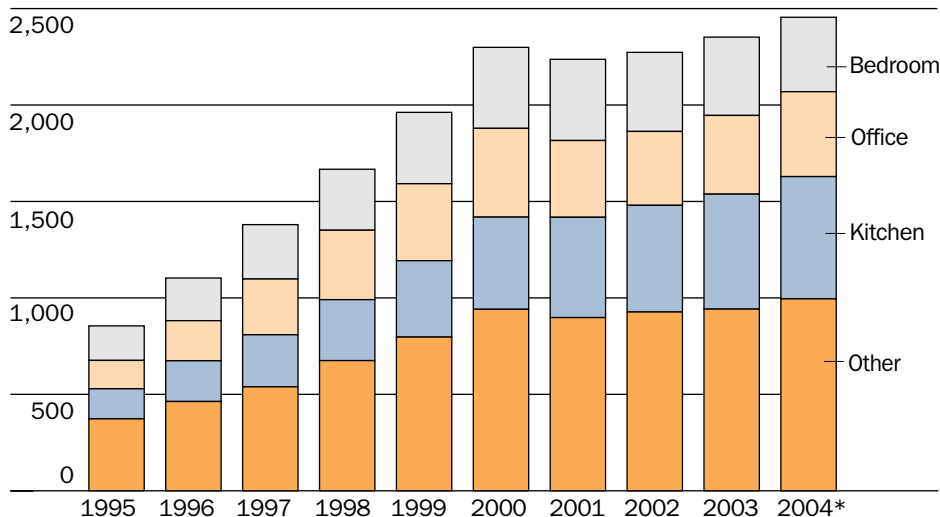
| Indicator | January 2004 | February 2004 | March 2004 | April 2004 | May 2004 | June 2004 |
|---|-----------------|------------------|---------------|---------------|-------------|--------------|
| Composite Leading Indicator (1992=100) | 189.5 | 190.6 | 192.0 | 193.3 | 195.6 | 197.8 |
| Housing Index (1992=100) | 137.1 | 135.0 | 136.6 | 139.0 | 141.9 | 146.2 |
| Business and Personal Services Employment (million) | 2.633 | 2.632 | 2.627 | 2.621 | 2.613 | 2.608 |
| Stock Price Index (1975=1,000) | 7,959 | 8,232 | 8,395 | 8,472 | 8,511 | 8,516 |
| Money Supply, M1 (\$ million, 1992) | 90.27 | 90.67 | 91.67 | 92.91 | 94.31 | 95.86 |
| U.S. Composite Leading Indicator (1992=100) | 113.1 | 113.5 | 113.8 | 114.2 | 114.5 | 114.9 |
| Average Work Week (hours) | 38.7 | 38.7 | 38.7 | 38.7 | 39.0 | 39.1 |
| New Orders, Durables (\$ million, 1992) | 15,793 | 16,053 | 16,585 | 16,433 | 16,694 | 16,919 |
| Shipments/Inventory of Finished Goods (ratio) | 1.72 | 1.74 | 1.77 | 1.78 | 1.81 | 1.84 |
| Furniture and Appliance Sales (\$ million, 1992) | 1,500 | 1,507 | 1,513 | 1,524 | 1,539 | 1,556 |
| Other Durable Goods Sales (\$ million, 1992) | 5,908 | 5,799 | 5,699 | 5,709 | 5,721 | 5,757 |

Source: Statistics Canada.

Since 1995, Canada's Wood Furniture Exports Have Grown Steadily

\$ Million

3,000



*Projection, based on January-June data.



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sector for the remainder of 2004, with relatively low interest rates and strong income growth. Canadian demand for U.S. wood products in housing components and interior applications, as well as furniture and other furnishings, is expected to remain strong. In addition, an upturn in the U.S. economy, as the United States' composite of leading indicators also posted its 13th straight monthly increase, could continue boosting demand for Canadian goods, including furniture, thus spurring additional Canadian demand for U.S. solid wood products. n

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For details, go to www.fas.usda.gov/ffpd/Newsroom/wood_market_news.htm, and select "America's Largest Market Increases its Demand for U.S. Wood," March 2004.





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Contact:

For more information, contact Linda Conrad at: Tel.: (202) 690-3421;
E-mail: Buyeralerts@usda.gov



TRADE SHOW OPPORTUNITY

HOSTEX 2005

JOHANNESBURG, SOUTH AFRICA

American Café:

The American Café at HostEx 2005 offers an excellent opportunity and cost-effective means for producers and suppliers of American food products to display their wares and gain maximum exposure at an international trade show.

The Venue:

Sandston Convention Center
Johannesburg, South Africa



Dates:

March 13-16, 2005

Deadline:

Jan. 15, 2005

The Show:

HostEx is the leading food and catering hospitality showcase in the region. In 2003, this show had 367 exhibitors and 10,000 trade visitors. HostEx is the ultimate magnet for the buying power behind the region's leading hotels, restaurants, pubs, clubs and guesthouses, caterers, fast-food establishments and a host of other prominent purveyors. HostEx demonstrates the opportunities for increased U.S. exports to certain niche markets. For a minimal fee of \$400, a company can have its product displayed and sampled without the full expense of having its own booth.



The Market:

Tourism, with an estimated average annual growth rate of 12 percent, is South Africa's fourth-largest industry, supporting more than 700 hotels, 2,800 guesthouses and 10,000 restaurants. Tourism's total contribution to the national economy is estimated at more than \$10 billion annually.

Best Products:

Pasta, chocolate candies, convenience foods, tree nuts, peanuts, frozen prepared foods for the food service sector, poultry, pet foods, Tex-Mex foods, consumer-ready rice, Greek foods, dairy products, popcorn, fresh fruits, sauces, fish and seafood, private-label products, cereals and whiskey

Contact:

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E-mail: Tobitha.Jones@usda.gov



The John Ogonowski Farmer-to-Farmer Program in Latin America

The Program: The John Ogonowski Farmer-to-Farmer Program, funded by USAID (the U.S. Agency for International Development), improves economic opportunities for farmers and agribusinesses in developing nations across the world by increasing food production and distribution, as well as improving farm and marketing operations. Through the program, U.S. volunteers also enhance the competitiveness of agribusiness firms and producer organizations to strategically prepare for regional and international market entrance. Furthermore, volunteers expand market linkages and domestic and international public- and private-sector alliances for trade capacity building.

The Initiative: Winrock International and Florida International University will implement USAID's John Ogonowski Farmer-to-Farmer Program in Latin America for fiscal 2004-2008. The program goals are to increase rural prosperity and promote trade-led economic growth in Nicaragua, Guatemala, Honduras and El Salvador by enhancing the capacity of producers and rural industry to capitalize on international trade opportunities resulting from the U.S.-Dominican Republic-Central America Free Trade Agreement. In the last 12 years, Winrock has sent more than 3,000 volunteer consultants through USAID programs on two- to four-week assignments to promote agricultural development in 35 countries across the globe.

Participation: Farmer-to-Farmer specialists volunteer their time and expertise. The program covers all travel, lodging, meals and incidental expenses. Volunteers must be U.S. citizens or residents.

If Interested in Participating, Contact:

Carmen Algeciras

Tel.: (305) 348-0399

E-mail: algecira@fiu.edu

Trade Notes...

FAS public affairs specialist
Donald Washington is at (202) 720-3101;

Veneman Meets with African Ministers on U.S. Cotton Tour

In July, agriculture and commerce ministers from Benin, Burkina Faso, Chad and Mali toured U.S. cotton production, processing, marketing and research facilities. The team traveled to North Carolina, Tennessee and Texas to explore ways in which West Africa's cotton industry can modernize its operations. While on the tour, the West African ministers and their Washington, DC-based ambassadors met with representatives of various industry associations, companies and land grant universities. They received an overview of the entire U.S. cotton industry from research, development and genetics to ginning, grading, marketing and exporting. In Washington, DC, the group met with U.S. cotton industry representatives to discuss investment needs and opportunities, and with U.S. government officials to discuss technical assistance and capacity building programs. The meeting provided an opportunity to discuss the priorities identified at the Science and Technology Ministerial Conference in Ouagadougou, Burkina Faso in June. At that conference, participants highlighted Africa's urgent need for technical assistance and training to help develop transparent and predictable regulatory systems that encourage investment and the formation of public-private partnerships. These systems enable higher agricultural productivity, leading to improved food security, more jobs and increased trade and economic growth.

USDA To Promote Exports at Organic Food Show in Germany

FAS invites companies to exhibit organic food products in the USA Pavilion at BioFach 2005 in Nuremberg, Germany, Feb. 24-27, 2005. Held annually, BioFach is the world's leading international organic trade exhibition. In 2004, the show welcomed 1,900 exhibitors and nearly 30,000 trade visitors from 67 countries. Visitors come from a wide spectrum of businesses and include wholesalers, retailers, producers, importers and exporters. The USA Pavilion at BioFach 2005 offers a variety of participation alternatives designed to meet the objectives of all prospective exhibitors—complete booth, work station, pavilion space only, new-to-market showcase and service package.

For more information on exhibiting products in the USA Pavilion at BioFach 2005, or for information on other USDA-supported shows, contact Sharon Cook at: Tel.: (202) 720-3425; E-mail: Sharon.Cook@usda.gov

A Drop in Hungarian Wine Tariffs Opens Market to U.S. Wine Exporters

Wine imports to Hungary are increasing as a result of a dramatic drop in the country's wine import tariffs from 62 to 8 percent. This provides a unique opportunity for U.S. wine exporters to position their products in the rapidly expanding market of this new member of the European Union. Disposable per capita income is growing, and Hungarians are ready to spend extra money on quality wines. U.S. wine exporters interested in the Hungarian market should act now before other producers seize the initiative in this market.



Also in This Issue:

- Tunisia's developing retail market
- Pet food cravings among Chilean cats and dogs
- The Philippines beefing up on U.S. imports
- The Farmer-to-Farmer Program in Latin America

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- Supermarkets are modernizing China
- Food ingredients hit the jackpot in Las Vegas

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Washington, DC 20250-1000

